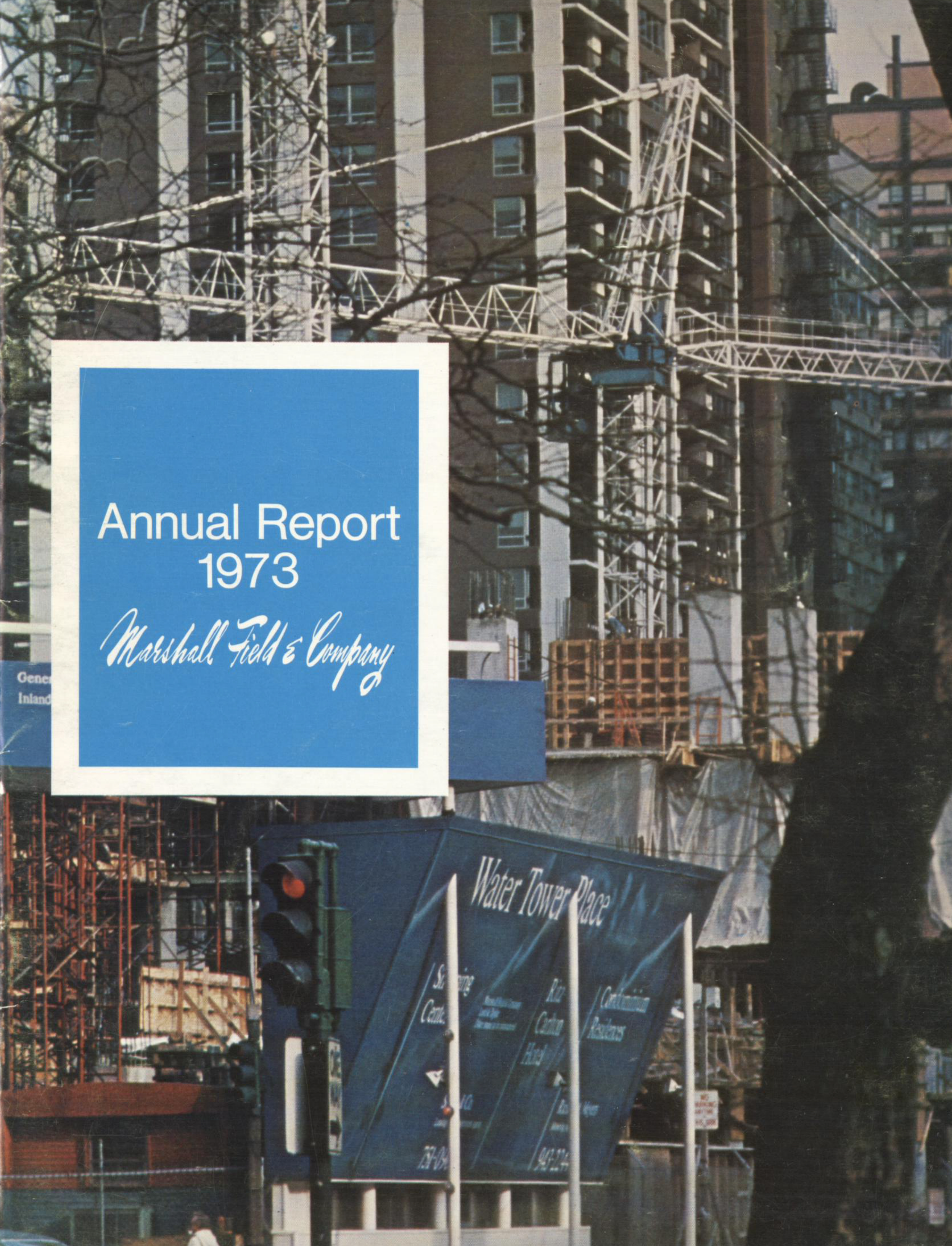
Annual Report
1973

Marshall Field & Company


Water Tower Place
Shopping Center
Ritz Carlton Hotel
Condominium Residences

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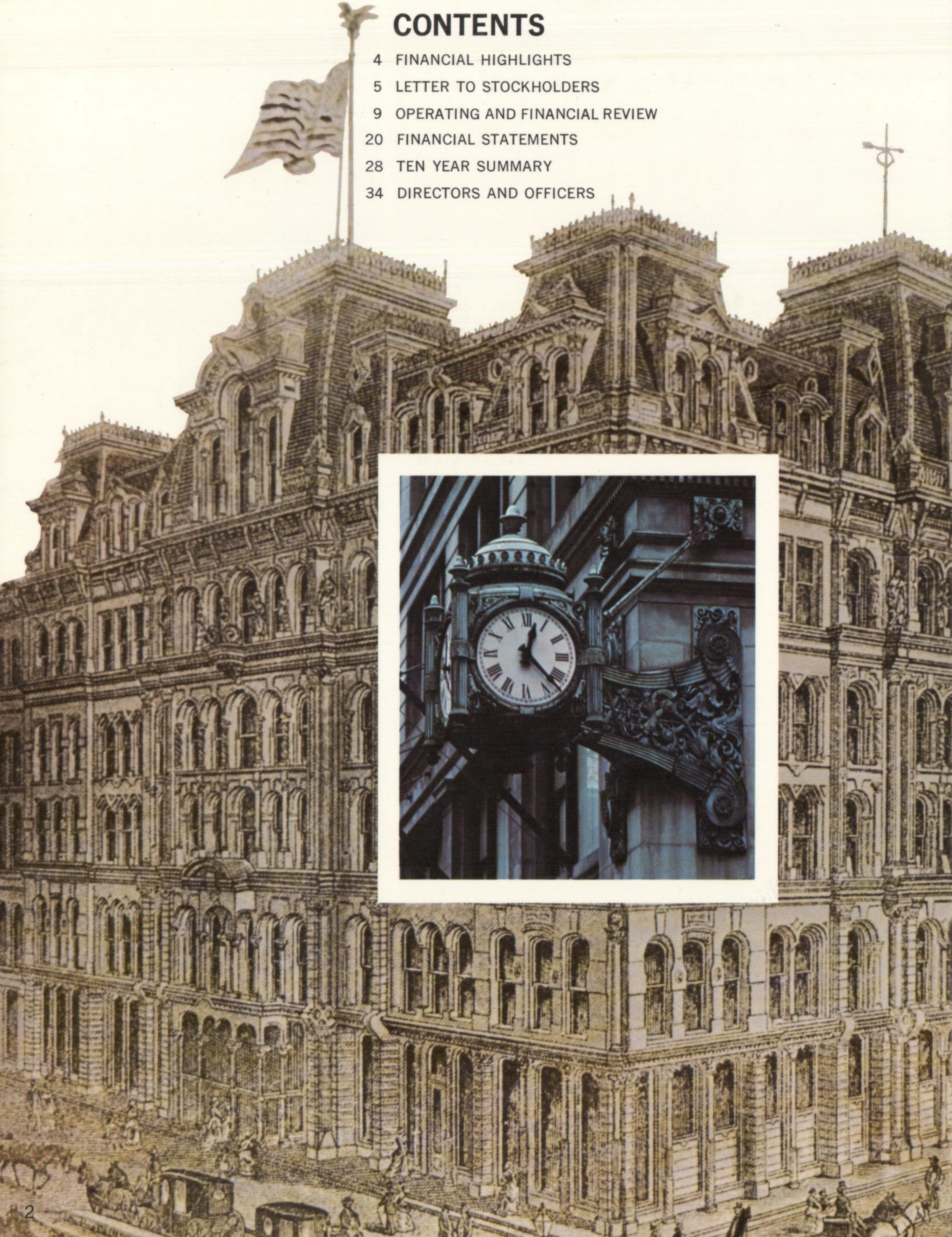

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Marshall Field & Company

Annual Report to Stockholders

FOR THE YEAR ENDED JANUARY 31, 1974

FOUNDED IN 1852
A DELAWARE CORPORATION
CORPORATE OFFICES
25 EAST WASHINGTON STREET
CHICAGO, ILLINOIS 60690

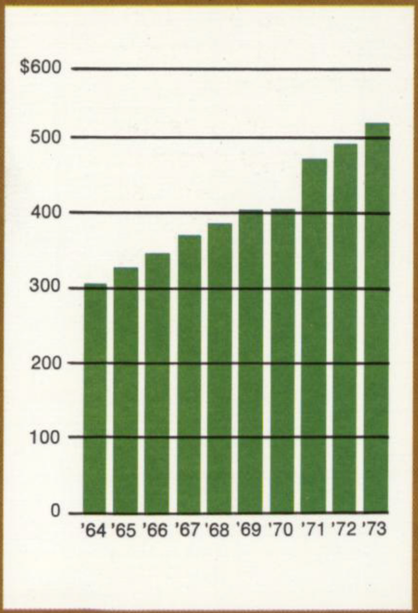
Financial Highlights

(in thousands of dollars)

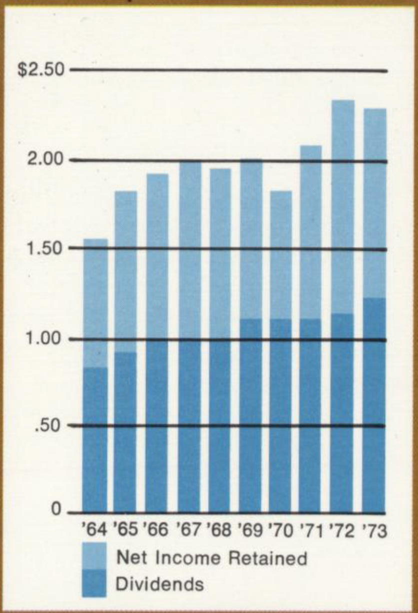
	Fiscal Year	
	1973	1972
Net Sales	$521,908	$492,794
Income before Income Taxes	40,560	41,563
Net Income	20,902	21,457
Per Common Share	2.30	2.34
Dividends Declared	11,175	10,495
Per Common Share	1.22½(1)	1.14
Net Income Retained	9,728	10,963
Accounts Receivable	84,121	77,835
Merchandise Inventories	83,932	82,099
Working Capital	109,595	113,425
Capital Expenditures—		
Modernization and Replacement	4,656	3,910
Expansion	13,324	3,841
Depreciation	6,781	6,588
Common Stockholders' Equity	211,040	203,195
Per Common Share	23.31	22.27

(1) Annual dividend rate was $1.24 at the end of the fiscal year 1973, as the result of an increase in the quarterly rate from 29½ cents to 31 cents in July 1973.

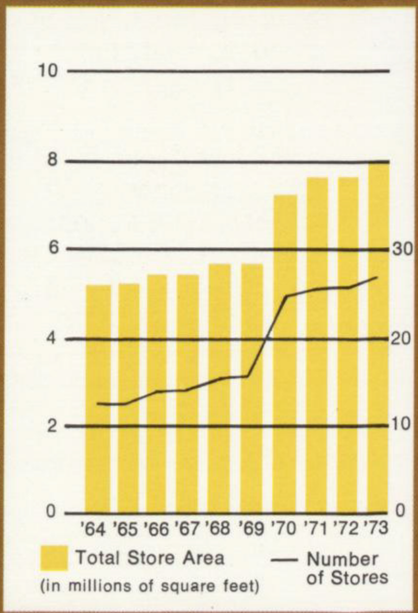
Net Sales (in millions)



Net Income per Common Share



Total Store Area and Number of Stores



Letter to Stockholders

March 29, 1974

To the Stockholders,

In 1973 Marshall Field & Company net sales exceeded the half-billion dollar mark for the first time, totaling $521,908,000. Net income of $20,902,000 was the second highest in our history, exceeded only by the prior year's earnings of $21,457,000. Earnings for each common share were $2.30, compared with $2.34 for the preceding year. Government imposed price controls reduced 1973 earnings by an estimated 10 cents per share and prevented full recovery of rapidly increasing costs. However, removal of these controls on February 1, 1974 once again is permitting the free market system to function.

Following the revision of U. S. Government guidelines, our quarterly dividend rate was raised in July from 29½ cents to 31 cents a share, increasing the annual rate from $1.18 to $1.24, the maximum allowable.

Each of the Company's divisions had increased sales last year. The Chicago Stores volume established a record. Frederick & Nelson had the largest percentage sales gain, benefiting from the continuing economic recovery of the Seattle area. Although Halle's sales improved, management continues its efforts to further strengthen sales and profitability of this division. The Crescent sales increase was limited by extensive construction work on its downtown store and the major modernization program in the downtown area of Spokane itself.

Spokane will attract national attention this year with EXPO '74, the first environmental world's fair. This fair will be open from May through October, and our fine Crescent stores there will have an opportunity to serve those who attend.

The energy shortage does not appear to have affected total sales significantly. While there are indications in Chicago of some shift in business from the suburban branches to the downtown store, many of the outlying stores are located in large regional shopping centers which attract conservation-minded customers seeking "one-stop" shopping. More experience will be needed to determine the ultimate impact of the gasoline shortage. The Company is complying with all government regulations and guidelines to conserve energy and has urged employes to do their part at home and in traveling to and from work.

The Company's expansion program proceeded throughout the year. Last fall the Chicago Stores opened a 259,000-square-foot store in Hawthorn shopping center, north of Chicago, and a 115,000-square-foot store in CherryVale, a Rockford, Illinois shopping center. These two units increased this division's total store space by 9 per cent. The mall at the Mayfair shopping center in suburban Milwaukee was enclosed. The Crescent opened a 53,000-square-foot addition to its downtown Spokane store, a 14 per cent increase in that store's space. These new stores and improvements were favorably received by customers.

Construction has begun on a 250,000-square-foot store in Fox Valley, a shopping center west of Chicago. Work is progressing on Water Tower Place, the unique shopping center, hotel and condominium complex on Chicago's North Michigan Avenue. Construction also has started on a shopping center in Orland Park, southwest of Chicago, where the Company will have a 200,000-square-foot store. These three projects are scheduled to provide new retail facilities later this year and in 1975-1976 as detailed on page 14. Halle's has announced a 90,000-square-foot store to be located in Millcreek Mall, a shopping center in suburban Erie, Pennsylvania. Opening is scheduled for this fall.

In various stages of planning are three additional outlying stores to serve the Chicago market: one in the West Dundee area, one in the Joliet area and the third west near Bloomingdale. The Company through its subsidiary, Mafco,Inc., expects to participate in real estate ventures planned in each location.

All of these stores—completed, under construction and planned—are part of the Company's program to provide the finest shopping facilities in the expanding markets we serve. The Company, through Mafco, also will share as a co-venturer in the economic benefits of ownership in the Hawthorn and Orland Park shopping centers and the related land development surrounding both centers and Fox Valley. Water Tower Place, in which the Company's subsidiary is again a co-venturer, has special significance because its concept can be applied to other urban markets.

On January 31, 1974, Mr. Gerald A. Sivage retired as President and Chief Executive Officer. He was succeeded by Mr. Joseph A. Burnham, Executive Vice President-Operations. Mr. Sivage served Marshall Field & Company with great distinction. The Company always has sought to meet changing times with new concepts compatible with our established principles of quality, integrity and service, and no one has been more resolute in his stewardship of this tradition than Mr. Sivage. During the ten years of his leadership, sales and earnings reached record levels and Company expansion was the most extensive in our history. However, the finest tribute to him is the continuing opportunity for future growth of the Company established through his imagination and foresight. The Company is indeed fortunate that it will continue to have the benefit of his services as a director.

At the 1973 annual meeting of stockholders, Mr. Harold Byron Smith, Jr., President of Illinois Tool Works Inc., was elected to the Board, bringing the number of directors to ten. Among other changes at the year-end, Mr. George G. Rinder, Executive Vice President-Finance, was elected Executive Vice President and designated principal financial officer, and Mr. Arthur E. Osborne, Jr., Vice President and General Manager of the Chicago Stores Division, was elected a Vice President of the corporation.

Many of the problems of the national economy which affected 1973 will continue to influence business in 1974. Additionally, the full extent of the impact of the energy shortage on the economy is still unclear. However, we believe the coming months will not be without opportunities and we are prepared to respond aggressively. In addition, our new stores, plus the enlarged and modernized selling space in existing units provided by our on-going expansion program, give the Company further potential for increased sales and profit.

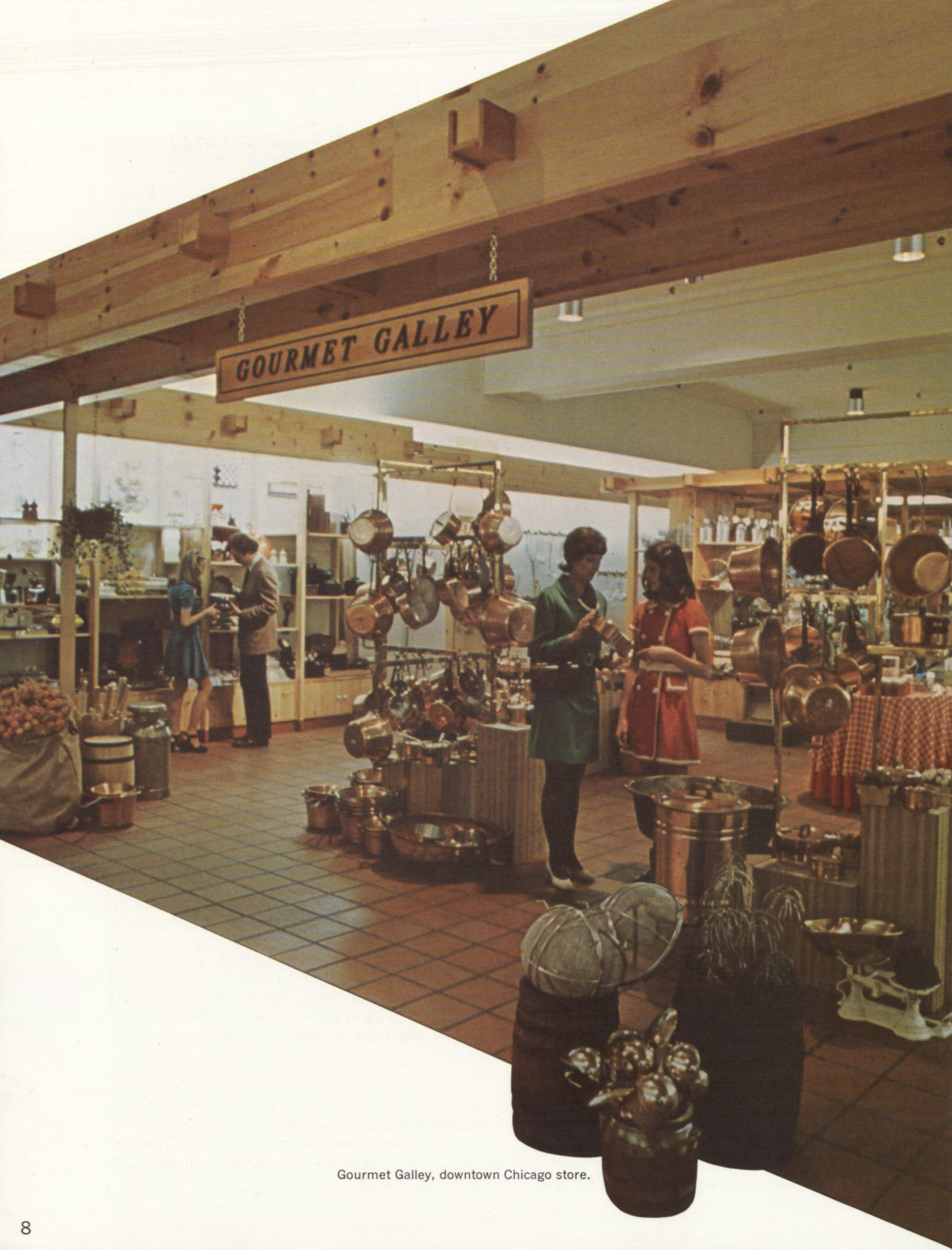
In the years ahead your Company will continue its pursuit of excellence in quality of merchandise, service and professionalism. We have an able and experienced staff which is balanced with youth. The Company's continuing growth and progress will provide both opportunity and challenge to our present staff as well as attract other able professionals. We will continue, individually and as a group, our best efforts to enhance the Company's acceptance and leadership in the communities we serve.

Finally, those of us who share the responsibility for the direction of the Company will continue to conduct the business with the utmost vigor. In this task we are encouraged by, and deeply appreciate, the support of our stockholders, employes and suppliers, and our customers.

Burnham

President

Gerald A. Sivage, who retired on January 31, and Joseph A. Burnham, who succeeded him as President and Chief Executive Officer, are shown in the Company's corporate offices. Mr. Sivage, right, served Marshall Field & Company for more than forty years and was elected President in 1964. Mr. Burnham has spent his entire business career with the Company and most recently he was Executive Vice President-Operations. He has been a director since 1970.


GOURMET GALLEY

Gourmet Galley, downtown Chicago store.

Operating and Financial Review

Nature of Business

The Company operates 28 department stores offering a wide range of merchandise. Emphasis is placed on high quality merchandise, personal customer service and satisfaction, and attractive, well-maintained stores.

Principal market areas are Chicago, Milwaukee, Seattle, Cleveland, Spokane, Akron and Erie. The location and size of each store appears on page 30.

Mafco, Inc., the Company's wholly-owned real estate subsidiary, is a co-venturer in several real estate projects related to the Company's retail operations, as described on pages 14 and 16.

1973 Operating Results

Net income of $20,902,000, or $2.30 per common share, was 2.6 per cent below the record earnings of 1972. Income before taxes was $40,560,000, equal to 7.8 per cent of sales compared with 8.4 per cent a year earlier. This decline in pre-tax margins occurred despite a 5.9 per cent rise in sales to a record level, principally because inflationary forces increased expenses at a somewhat faster rate than sales. Normally selling prices could have been raised to cover these higher costs, but the Company was required to sell merchandise at artificially low prices in the last half of 1973 to comply with Phase IV of the U.S. economic control program. The Company estimates that price controls had the effect of reducing income before taxes by approximately $1,800,000. These price controls which temporarily depressed the Company's earning power during 1973 were removed from the retail industry on February 1, 1974. In 1973 pre-tax income benefited by an increase of $961,000 in interest income, reflecting additional funds invested in the first part of the year and high interest rates. Expenses included $370,000 for the cost of opening two new stores in the fall of 1973.

Sales for 1973 included volume from about four months' operation of these two additional units. The Company's branch stores have produced an increasing share of sales for a number of years, in line with suburban population growth and our new store construction program. In 1973, 55 per cent of total volume came from our 23 suburban stores. The diversity of the Company's sales base also should be emphasized, with about 60 per cent from apparel and related accessories, and the balance principally from home furnishings and home accessories.

Credit

Several different credit plans are provided as a service to customers. The types of plans differ by geographic division, depending upon competitive conditions and legal requirements. In general customers have a choice of paying in thirty days or on an installment basis. Accounts are granted to all individuals considered to be credit worthy.

Credit sales were 65 per cent of total business in 1973. Of this credit volume, 31 per cent was installment sales. This installment percentage reflects the Company's primary market among middle and upper income customers and the relatively small emphasis on large-ticket durable items such as appliances. Over the long-term, however, an increasing portion of our business is being done on installment terms. Uncollectible accounts were .2 per cent of 1973 credit sales.

Dividends

The annual rate was raised to $1.24 per common share from $1.18 in July 1973, as permitted by the guidelines of the U.S. Committee on Interest and Dividends. The new annual rate is 55 per cent higher than ten years ago, as the result of five increases during that period. Common dividends declared during 1973 were 53 per cent of net income available for that purpose, with the balance being retained in the business for future growth.

Crossroads Market, downtown Chicago store.

Finances

The Company's financial position continues strong and provides an excellent base for its accelerating expansion program.

Bank lines of credit totaling $34,000,000 at the prime rate are in effect. Peak cash needs estimated at $20,000,000 during the past Christmas selling season were financed entirely with internal funds. The Company expects to borrow on a short-term basis during 1974.

Inventories were $83,932,000 at year-end, only two per cent above January 31, 1973, despite inflation and two new stores. This inventory position was planned in view of uncertainties in the economic outlook in the first half of 1974. The longer lead times required by the Company's suppliers due to material shortages resulted in purchase commitments for merchandise of $36,990,000 at the end of 1973 compared with $26,820,000 a year earlier. This increase should not cause future inventories on hand to be excessive.

Future minimum rental obligations under long-term financing leases have a present value of $16,000,000, as reported in the financial statements (note 5, pages 25-26). This amount plus $24,956,000 of long-term debt represented 19 per cent of year-end stockholders' equity, a ratio which will permit adequate financing of the new stores and real estate ventures planned for the years ahead.

Capital Expenditures

Outlays of $17,980,000 during 1973 included $13,324,000 for expansion, which was spent principally on the Hawthorn and CherryVale stores. Expenditures for 1974 are estimated at $20,000,000, including construction of the Fox Valley and Orland Park units, and fixturing of Halle's Millcreek Mall store. During 1973 $2,619,000 was invested in real estate joint ventures.

Administrative Changes

In the corporate organization, Mr. Michael J. Usas was appointed Vice President, Industrial Relations; and Mr. James C. Elder was named Assistant Treasurer.

In the Chicago Stores Division, Mr. Denman H. Boyd was appointed Vice President, Merchandising, Young People's Floor; Mr. Aurel Caprini was appointed Vice President, Merchandising, Budget Floor; Mr. Robert S. Houston, Vice President, Merchandising, was named Manager, Store for Men; Miss Eva Jane Milligan was appointed Vice President, Personnel; Mr. Ashton Osborne, Vice President, Merchandising, was named Manager of the Mail Order Division; Mr. W. Thomas Poyer, Vice President, Merchandising, was named Manager of the Contract Division; and Mr. Connor B. Shaw, Vice President, Merchandising, was named Manager of the State Street store. At Halle's, Mr. Robert M. Rasmussen became Senior Vice President and chief executive succeeding Mr. Paul H. Strohm who retired; Mrs. Lois Miller was named Vice President, Sales Promotion. At Frederick & Nelson, Mr. Robert A. Boyd was appointed Vice President, Personnel.

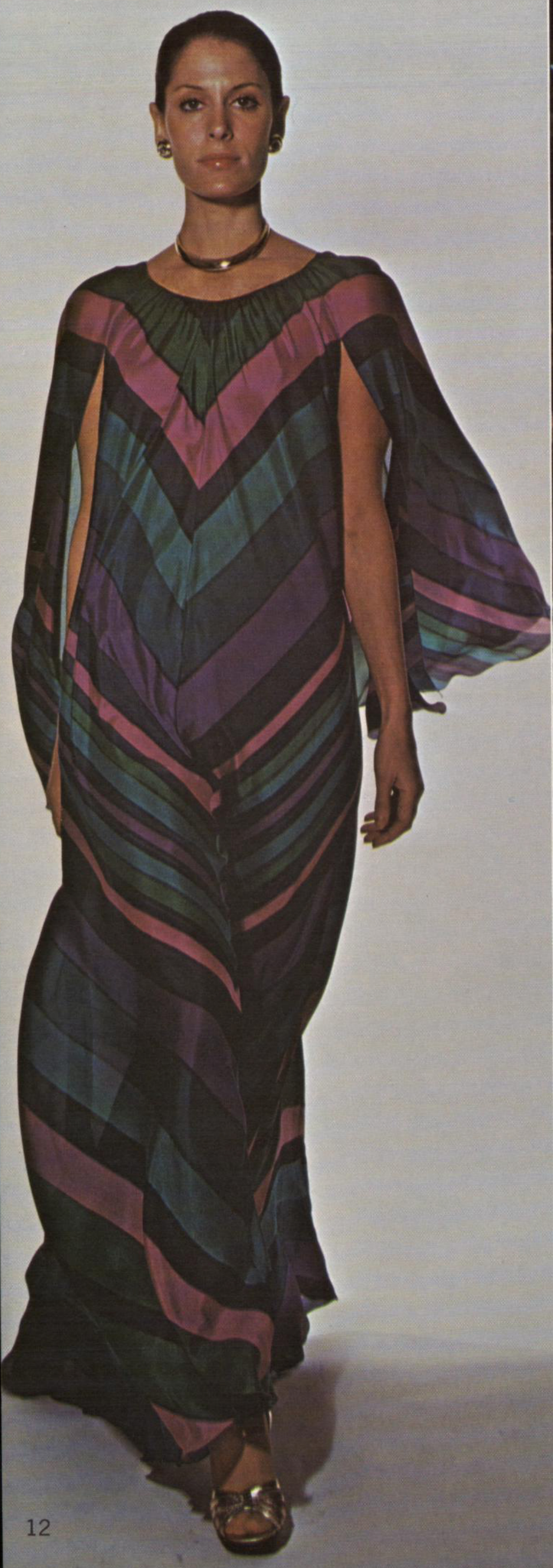
Quarterly Sales and Net Income (in thousands of dollars)

Net Sales

Quarter	1973	1972	Increase
1st	$108,152	$101,984	6.0%
2nd	114,499	108,562	5.5
3rd	127,292	121,749	4.6
4th	171,965	160,499	7.1
Year	$521,908	$492,794	5.9

Net Income

	1973		1972	
Quarter	Amount	Per Share	Amount	Per Share
1st	$ 2,564	$ .28	$ 2,106	$ .23
2nd	3,164	.35	3,083	.34
3rd	4,530	.50	5,050	.55
4th	10,644	1.17	11,218	1.23
Year	$20,902	$2.30	$21,457	$2.34



Fashion Flair

Featured across these pages are fashions from the new spring collections. Finding fashion for our customers sends our buyers to designers and fine makers in this country and throughout the world. Apparel is presented to shoppers in fashion advertising, fashion shows, and seasonal displays in our stores. Fashion is featured in special shops and throughout apparel sections. On these pages, along with the view of a recent resort fashion benefit, are a blue-violet-and green-striped silk chiffon evening gown by Oscar de La Renta and a turquoise evening costume from the Nina Ricci boutique. They are part of the dash and drama, the news and the beauty of fashion.

Progress Report

The Company's expansion program includes the following new stores:

Location	Square Feet	Planned Opening
Halle's		
Millcreek Mall, Erie, Pa.	90,000	Fall 1974
Chicago Stores		
Fox Valley, Aurora, Ill.	250,000	Winter 1974-5
Water Tower Place, Chicago, Ill.	170,000	Fall 1975
Orland Park, Ill.	200,000	Spring 1976
West Dundee, Ill. area	180,000	Fall 1976
Joliet, Ill. area	150,000	Fall 1977
Bloomingdale, Ill. area	200,000	Fall 1978
Total	1,240,000	

This will expand the Company's present store facilities by 16 per cent.

Mafco, Inc., the Company's wholly-owned subsidiary, is a co-venturer in the real estate developments listed below:

Location	Nature of Project	Mafco's Ownership Interest
Hawthorn Center, Vernon Hills, Ill.	Shopping center	⅔
New Century Town, Vernon Hills, Ill.	New town	⅓
Water Tower Place, Chicago, Ill.	Urban center	½
Westbrook, Aurora, Ill.	New town	⅓

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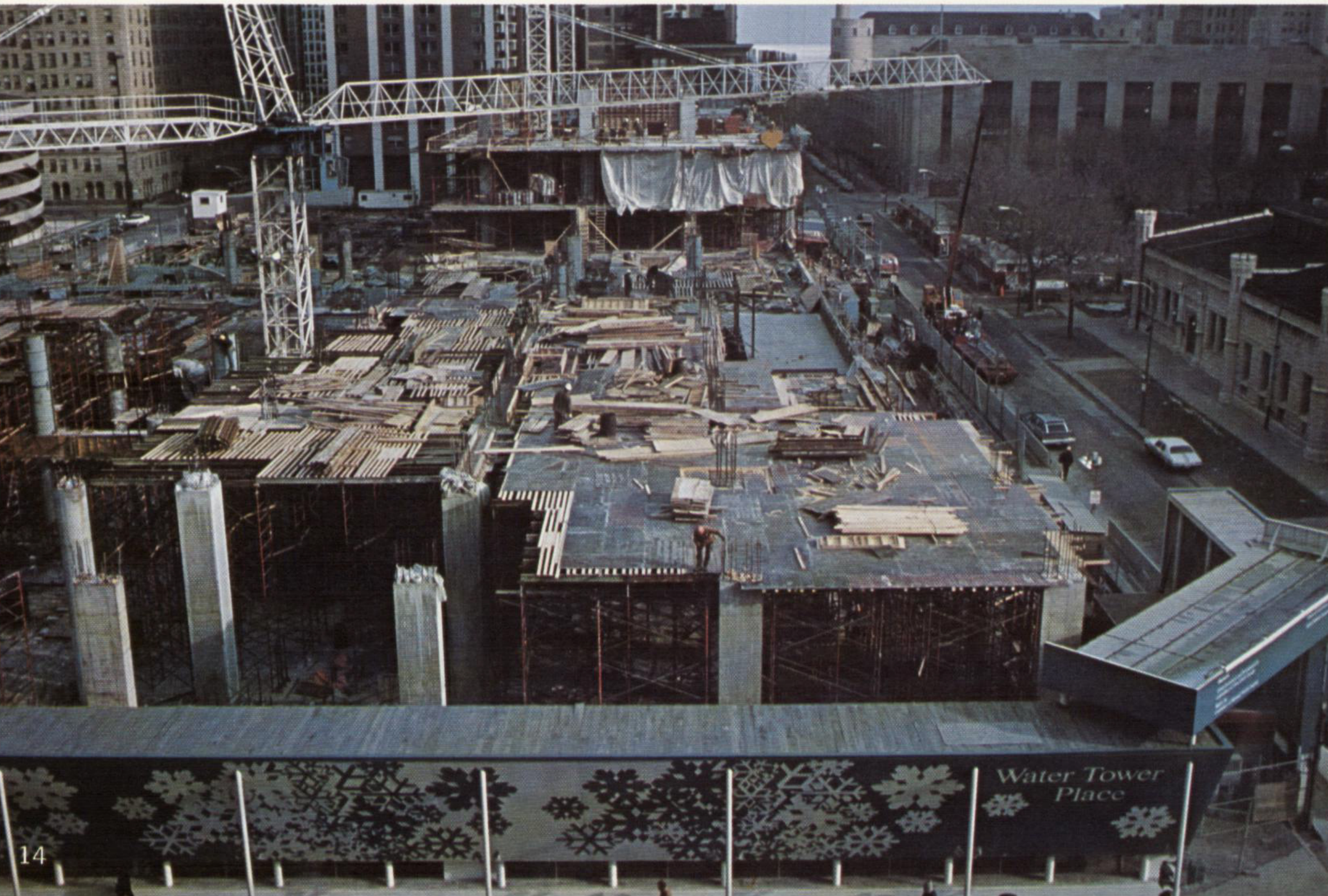
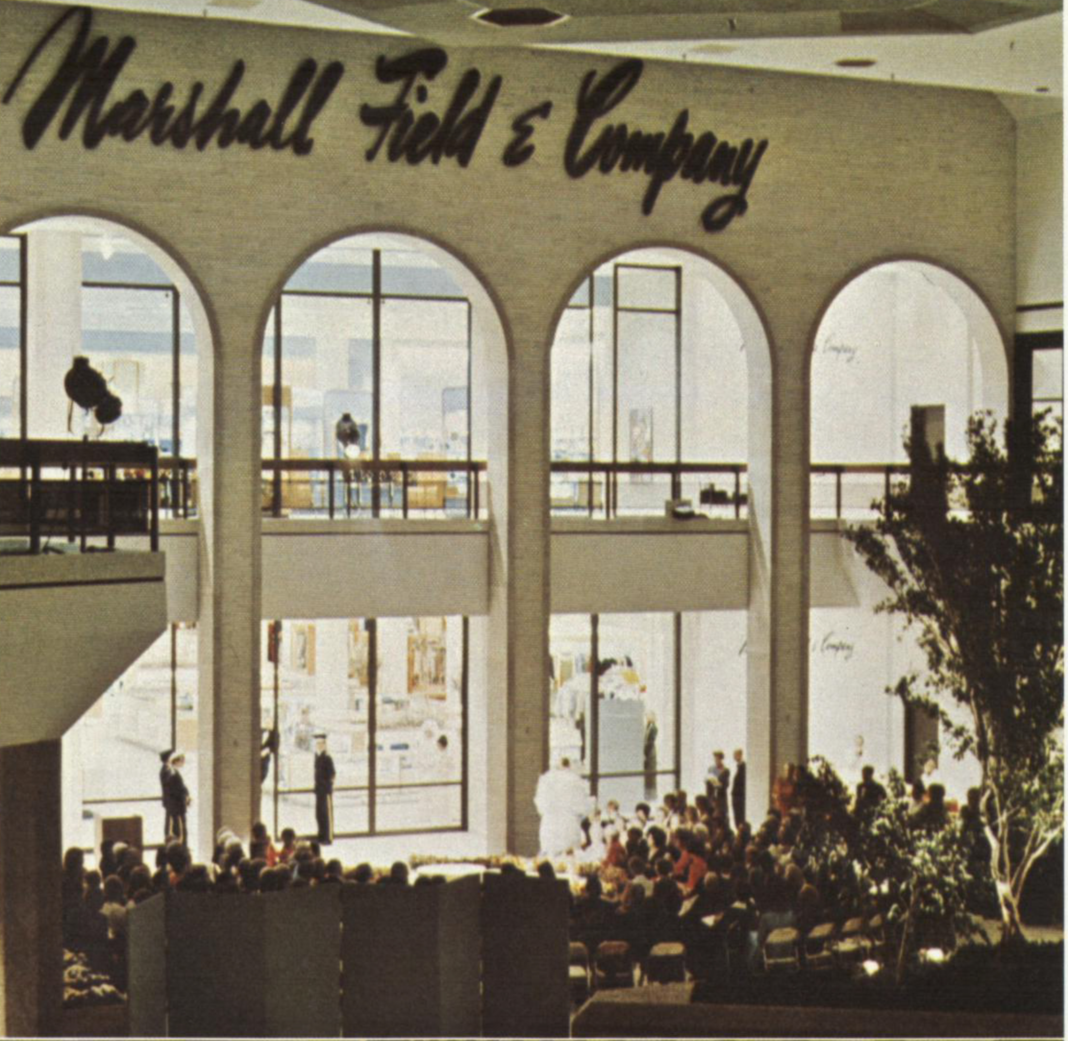
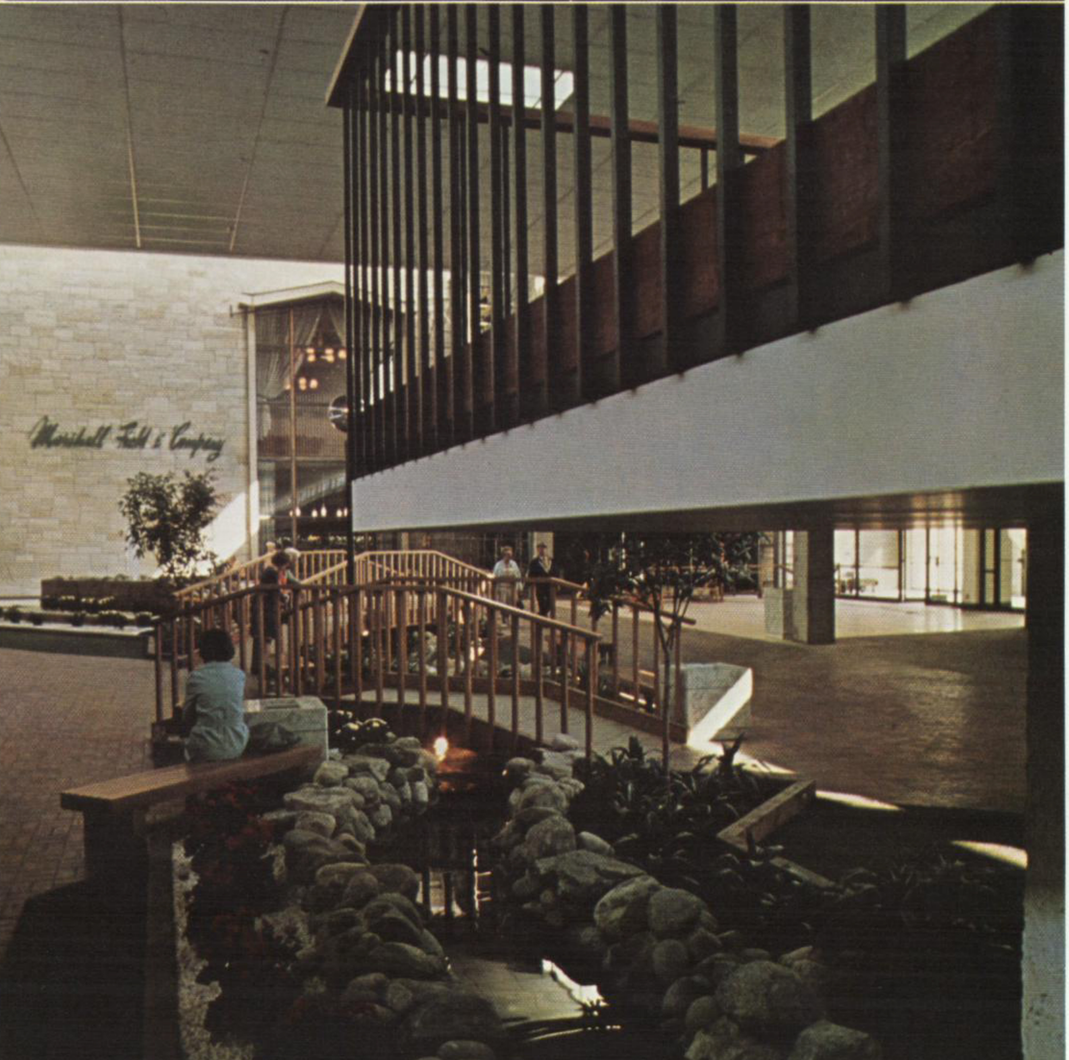



Marshall Field & Company


Marshall Field & Company

Shown on the opposite page is Chicago's Water Tower Place, under construction. And on this page, a view of the new CherryVale store in Rockford, Illinois, top, and the new enclosed mall of the Mayfair shopping center in suburban Wauwatosa, Wisconsin, bottom.

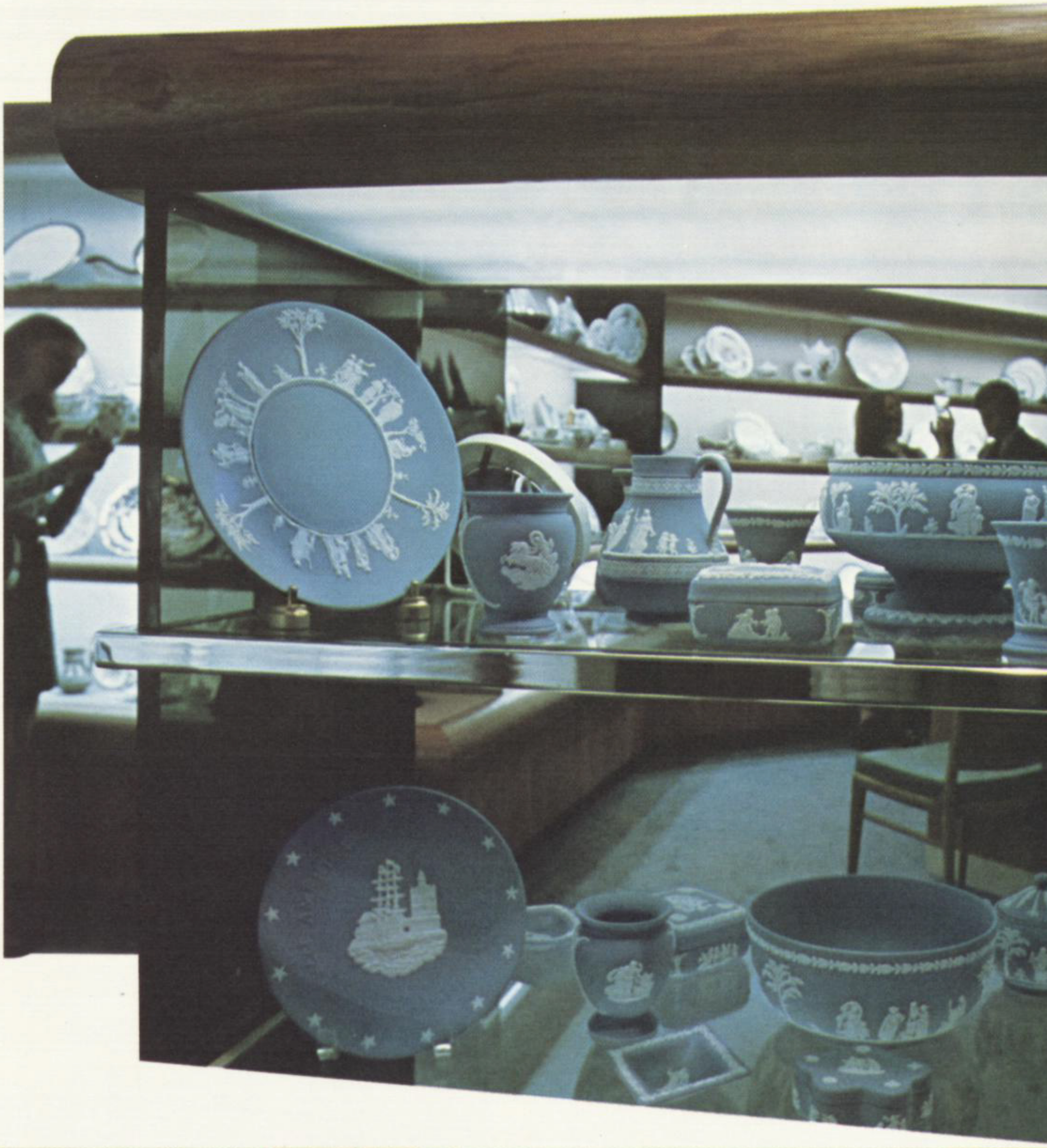
In addition, Mafco is expected to be a co-venturer in the shopping centers and adjacent land development planned for Orland Park and the West Dundee, Joliet and Bloomingdale, Illinois areas.

Each of these real estate projects involves a shopping center in which the Company will have a major store. These ventures thus provide retail expansion and the opportunity to participate in the appreciation in real estate values which occurs in the immediate area of a shopping center featuring a Marshall Field & Company store.

Part or all of each of these real estate projects may be held for rental income, sold after the property has been developed, or sold as vacant land for development by others.

In general Mafco's initial investment in each venture will be its share of the cost of land acquisition. Projects to be held for rental income will be permanently financed by mortgages secured by the real estate itself without other liability to the ventures or Mafco. Interim financing for all projects is obtained through bank loans for which Mafco and its co-venturers are jointly and severally liable as co-signers or guarantors. Since these ventures are largely financed by borrowed funds, Mafco and its co-venturers have the opportunity to earn an excellent return on their investment in the future.

FLOWER MARKET



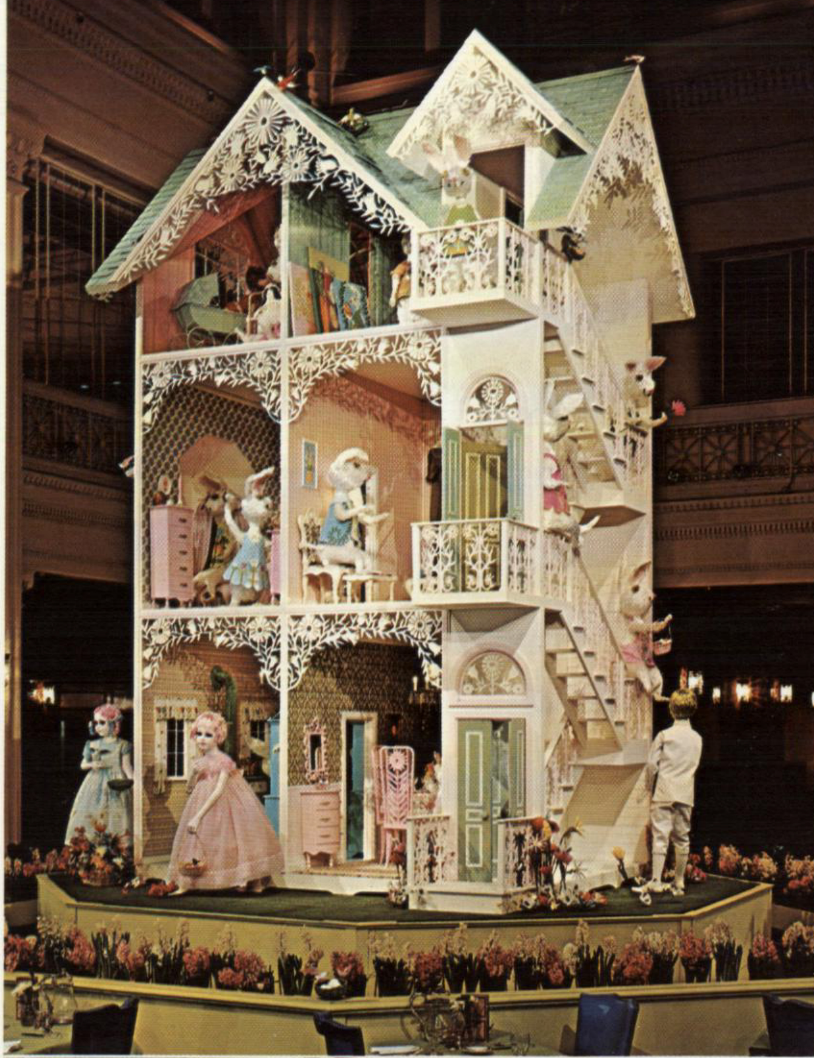
A view of the Fox Valley shopping center now under construction in west suburban Chicago is on the opposite page with views of two new downtown Chicago store sections, the Flower Market and the Wine Shop. On this page is a display of Wedgwood from the new China section in the downtown Chicago store, top, and The Crescent's new enlarged Cosmetics section in the downtown Spokane store and the downtown Chicago store's new Linen section.

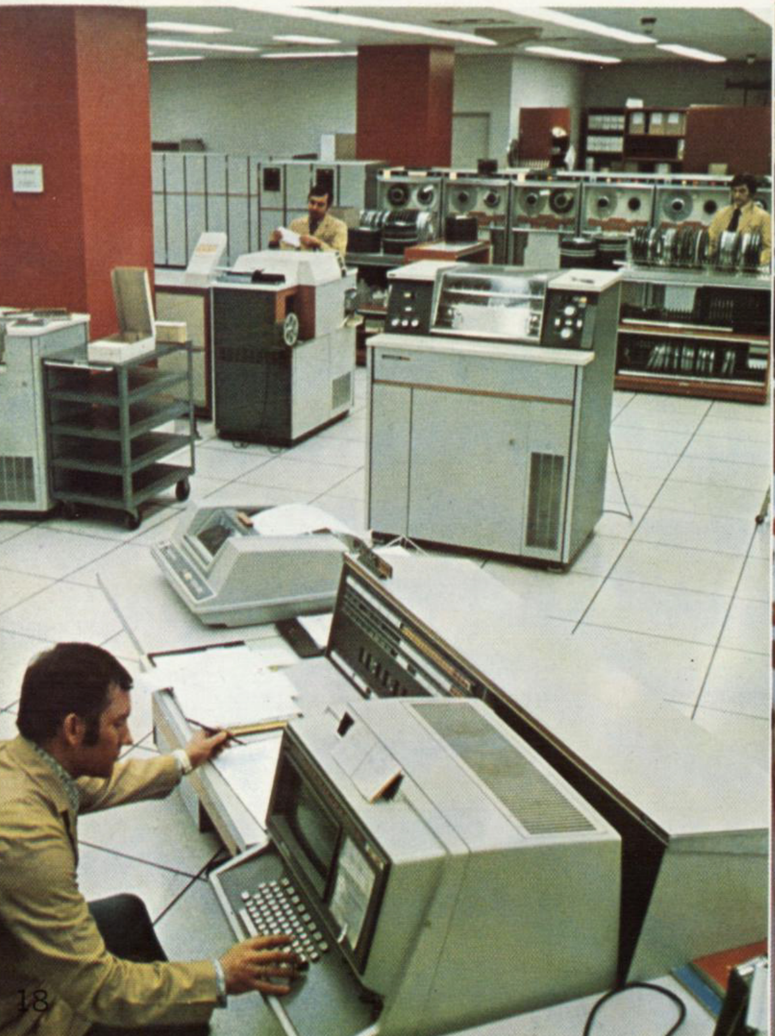
MAIN
PERFUME

Behind the Scenes

Customers know Marshall Field & Company across the counter, but there is, of course, much activity behind the scenes. Buyers must travel to market to select merchandise. The orders they place must be filled and shipped, received and marked, and, finally, placed on sale. Customers must be waited upon, purchases delivered, accounts kept. To this basic business of buying and selling must be added delivery, personnel, accounting and promotion. Taking you for a brief glimpse behind the scenes that customers seldom see, here are photographs from Display and Design, where the productions you find in the State Street store for Easter and Christmas are conceived and built. In addition, here is a view of our Information Systems Computer Room.

Shown here is the Information Systems Computer Room, below, the Easter display in the Walnut Room, right, and the Display workroom, below right, all in the downtown Chicago store. The famous Great Tree in the Walnut Room, a feature of Christmas in the downtown Chicago store, is shown on the opposite page.





Marshall Field & Company Consolidated Statement of Income and Retained Earnings

	Fiscal Year Ended	
	January 31, 1974	January 31, 1973
Net Sales	$521,907,930	$492,794,279
Deduct:		
Cost of goods sold and expenses, exclusive of items listed below	$434,410,271	$407,542,600
Advertising	14,485,260	13,550,276
Taxes other than income taxes	16,480,056	14,804,481
Depreciation (note 1c)	6,780,762	6,587,745
Maintenance and repairs	5,811,725	5,042,831
Rentals paid (note 5)	3,851,837	3,226,573
Net interest expense (income)	(472,210)	476,328
Total costs (note 2)	$481,347,701	$451,230,834
Income before Income Taxes	$ 40,560,229	$ 41,563,445
Income taxes (note 1d)	19,658,000	20,106,000
Net Income	$ 20,902,229	$ 21,457,445
Retained Earnings at beginning of year	165,698,776	154,735,918
	$186,601,005	$176,193,363
Cash dividends declared on:		
Cumulative preferred stock—Series A, $2.40 per share	$ 36,986	$ 40,305
Series B, $3.00 per share	41,400	54,900
Common stock—$1.22½ and $1.14 per share, respectively	11,096,320	10,399,382
	$ 11,174,706	$ 10,494,587
Retained Earnings at end of year	$175,426,299	$165,698,776
Net Income per Common Share (average shares outstanding 9,069,146 and 9,122,265, respectively)	$ 2.30	$ 2.34

See notes to financial statements on pages 24 through 27.

Consolidated Statement of Changes in Financial Position

	Fiscal Year Ended	
	January 31, 1974	January 31, 1973
Working Capital Provided:		
Net income	$ 20,902,229	$ 21,457,445
Add items not requiring the use of working capital—		
Depreciation	6,780,762	6,587,745
Increase in long-term deferred income taxes and investment credit	3,072,302	1,099,559
Working capital provided from operations	$ 30,755,293	$ 29,144,749
Sales of land	—	1,241,082
Other	611,867	609,464
	$ 31,367,160	$ 30,995,295
Working Capital Used:		
Additions to property and equipment	$ 17,979,682	$ 7,750,748
Investments in real estate ventures	2,619,433	(286,039)
Dividends	11,174,706	10,494,587
Purchases of Company stock (note 9)	1,942,671	464,462
Reduction in long-term debt	1,480,505	1,700,930
	$ 35,196,997	$ 20,124,688
Increase (Decrease) in Working Capital	$ (3,829,837)	$ 10,870,607
Increases (Decreases) in Working Capital:		
Cash and short-term investments	$ (10,535,641)	$ 12,450,675
Receivables	6,286,441	(588,488)
Merchandise inventories	1,833,237	4,348,076
Prepaid expenses	(60,820)	188,527
Accounts payable	(1,884,877)	(4,337,002)
Accrued liabilities	(1,261,022)	1,266,628
Income taxes	1,822,382	(2,779,875)
Current maturities of long-term debt	(29,537)	322,066
Increase (Decrease) in Working Capital	$ (3,829,837)	$ 10,870,607

See notes to financial statements on pages 24 through 27.

Marshall Field & Company
Consolidated Balance Sheet

ASSETS

	January 31, 1974	January 31, 1973
Current Assets:		
Cash	$ 8,771,397	$ 7,866,400
Commercial paper, at cost (approximates market)	998,347	12,438,985
Receivables, less allowance of $1,479,000 and $1,445,000, respectively, for doubtful accounts	84,121,443	77,835,002
Merchandise inventories (note 1b)	83,931,876	82,098,639
Prepaid expenses	3,688,630	3,749,450
Total Current Assets	$181,511,693	$183,988,476
Investments in Real Estate Ventures (notes 1a and 4)	$ 13,744,860	$ 11,125,427
Property and Equipment, at cost:		
Land	$ 21,861,953	$ 21,861,954
Buildings	123,077,381	115,405,430
Equipment	48,599,242	44,117,090
	$193,538,576	$181,384,474
Less accumulated depreciation	71,609,822	70,042,773
Net Property and Equipment	$121,928,754	$111,341,701
	$317,185,307	$306,455,604

See notes to financial statements on pages 24 through 27.

LIABILITIES

	January 31, 1974	January 31, 1973
Current Liabilities:		
Accounts payable	$ 24,403,727	$ 22,518,850
Accrued liabilities	32,238,171	30,977,149
Income taxes (note 1d)—		
Current	5,977,760	8,251,226
Deferred	7,816,211	7,365,127
Current maturities of long-term debt	1,480,467	1,450,930
Total Current Liabilities	$ 71,916,336	$ 70,563,282
Long-Term Debt, less current maturities (note 6)	$ 24,956,128	$ 26,436,633
Deferred Income Taxes (note 1d)	$ 5,902,780	$ 3,316,864
Deferred Investment Credit (note 1e)	$ 1,881,590	$ 1,395,204
Stockholders' Equity:		
Preferred Stock—		
Authorized 1,000,000 shares of $1 par value, issuable in series; issued at par value:		
Series A, $2.40 cumulative dividend; redemption and liquidation value $771,316; 15,719 and 17,719 shares, respectively	$ 15,719	$ 17,719
Series B, $3.00 cumulative dividend; redemption and liquidation value $717,600; 19,200 and 19,800 shares, respectively	19,200	19,800
Common Stock—		
Authorized 20,000,000 shares of $1 par value; 9,154,971 shares issued at par value	9,154,971	9,154,971
Additional Paid-in Capital (note 7)	30,917,712	31,026,289
Retained Earnings (note 8)	175,426,299	165,698,776
	$215,533,901	$205,917,555
Less treasury stock, at cost (note 9)	3,005,428	1,173,934
Total Stockholders' Equity	$212,528,473	$204,743,621
	$317,185,307	$306,455,604

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries, after elimination of intercompany accounts and transactions. Investments in real estate ventures are carried at cost plus the equity of the Company's subsidiary in the ventures' net income or losses.

b. Inventory Pricing

Merchandise inventories are valued at the lower of cost or market by use of the retail inventory method applied on a first-in, first-out basis, except for 15% at January 31, 1974 and 17% at January 31, 1973 which are stated on a last-in, first-out (LIFO) basis, which is not in excess of market. LIFO inventories at January 31, 1974 and January 31, 1973 are $5,305,000 and $4,750,000, respectively, less than if the first-in, first-out method had been used.

c. Depreciation

Buildings and equipment are depreciated on a straight-line basis over their estimated useful lives for book purposes. Accelerated depreciation is used for income tax purposes.

d. Income Taxes

The Company provides currently for income taxes applicable to all items included in the income statement regardless of when such taxes are payable. Deferred income taxes included in current liabilities arise primarily from deferred income on uncollected installment sales while long-term deferred income taxes arise from accelerated depreciation and the tax effect of certain differences between the book and tax basis of real estate joint venture assets. The provision for income taxes consists of the following:

	Fiscal Year	
	1973	1972
Taxes currently payable—		
Federal	$15,531,000	$17,432,000
State	1,090,000	1,171,000
Deferred taxes (including nominal amounts of state income taxes) arising from—		
Uncollected installment sales	231,000	455,000
Accelerated depreciation	1,226,000	1,108,000
Real estate joint ventures	1,360,000	—
Other	220,000	(60,000)
	$19,658,000	$20,106,000

The differences between the provisions for Federal income taxes and the amounts derived from applying the 48% statutory rate to pre-tax income resulted primarily from state income taxes.

e. Investment Tax Credit

Investment tax credits of $684,000 and $165,000 for 1973 and 1972, respectively, have been deferred and are being amortized as a reduction of the income tax provisions over the depreciable lives of the related equipment. Such amortization was $198,000 and $176,000 for 1973 and 1972, respectively.

f. Retirement Plans

The retirement plans cover, subject to certain length-of-service requirements, substantially all full-time employes. It is the Company's present policy to charge income annually with the cost of pensions earned by employes during the year. For the plan covering most employes, this charge is increased by interest on unfunded pension liability or decreased by amortization over a 20-year period of the excess of trust fund assets over pension liability, whichever is applicable. Retirement plan expense was $2,543,000 and $2,250,000 for 1973 and 1972, respectively. The present policy is to fund currently each year's total expense. The pension fund assets exceeded the computed value of the vested benefits as of the last valuation date.

g. Store Pre-Opening Expenses

Store pre-opening expenses are charged to income in the year the expenses are incurred.

(2) Total costs as reported to the Securities and Exchange Commission are classified as follows:

	Fiscal Year	
	1973	1972
Cost of goods sold, buying and occupancy expenses	$368,893,201	$345,456,865
Selling, general and administrative expenses	112,926,710	105,297,641
Interest expense	1,389,658	1,376,709
Interest (income)	(1,861,868)	(900,381)
	$481,347,701	$451,230,834

(3) The Company has bank lines of credit amounting to $34,000,000, at the prime lending rate, which were not used in 1973. The Company's bank balances are used to support both the banking activity and as compensating balances for the lines of credit. Typically such balances, as shown on the books of the banks, on average are maintained at a minimum of 10% of the lines of credit.

(4) The Company's wholly-owned subsidiary Mafco, Inc. has entered into a joint venture to construct Water Tower Place, an urban center on North Michigan Avenue in Chicago. Completion is scheduled for 1975-1976. The project will include a department store to be leased to the Company, other retail facilities, offices, apartments, and a hotel. Mafco's investment in the venture is expected to approximate $9,000,000. Long-term mortgage financing for a minimum amount of $87,500,000 for which Mafco will have no liability, other than its investment in the venture, has been arranged for the venture. At January 31, 1974 Mafco had guaranteed jointly and severally with its co-venturer an interim bank line of credit of $25,000,000, of which $22,600,000 had been borrowed at that date. The line of credit also was secured by a pledge of the land for the project.

Mafco is a participant in two joint ventures in Vernon Hills, Illinois north of Chicago. One is Hawthorn Center, a large regional shopping center which opened in the fall of 1973 and includes a department store owned by the Company. The other is New Century Town, a new town including residential neighborhoods and supporting community facilities. Mafco's investment in the ventures is expected to approximate $3,000,000. Long-term mortgage financing of $21,322,000 for which Mafco will have no liability, other than its investment in the venture, has been arranged for Hawthorn Center. At January 31, 1974 Mafco had guaranteed jointly and severally with its co-venturer an interim bank line of credit of $22,600,000 for construction of the shopping center. At that date $21,600,000 had been borrowed on the line of credit. At January 31, 1974 Mafco had guaranteed or co-signed jointly and severally with its co-venturers short-term bank loans in the aggregate amount of $3,500,000 for initial development of the new town.

Mafco is a participant in another joint venture to develop in Aurora, Illinois west of Chicago, Westbrook, a new town including residential neighborhoods, commercial properties and other facilities. It will adjoin Fox Valley, a large regional shopping center which will include a department store to be owned by the Company. The center is scheduled to open early in 1975. It is intended to finance most of the cost of Westbrook with borrowed funds. Mafco's investment in Westbrook is expected to approximate $1,400,000.

(5) As of January 31, 1974, 21 stores in operation were leased wholly or in part. In addition, certain data processing and other equipment is leased.

The retail store leases have noncancellable terms expiring between 1974 and 2028 with various renewal options. Many of these leases require the payment of minimum annual rentals plus additional rentals contingent upon sales reaching certain levels. Certain of the leases also require the payment of taxes, insurance, and other costs applicable to the property. Equipment leases have noncancellable terms expiring between 1975 and 1978 with various renewal options.

All of the retail store leases and certain of the equipment leases are considered by the Company to be noncapitalized financing leases. Such leases, as defined by the Securities and Exchange Commission, are those which are not set up as a liability in the balance sheet, but which, during the initial noncancellable lease period, either cover 75% or more of the economic life of the property or have terms which assure the lessor of a full recovery of the fair market value of the property at the inception of the lease plus a reasonable return on the use of the assets invested.

Rentals paid under leases during the past two years were as follows:

	Noncapitalized financing leases	Other leases	Total
1973—Minimum rentals	$2,497,354	$629,007	$3,126,361
Additional rentals based upon sales	652,669	72,807	725,476
	$3,150,023	$701,814	$3,851,837
1972—Minimum rentals	$2,002,310	$634,887	$2,637,197
Additional rentals based upon sales	528,897	60,479	589,376
	$2,531,207	$695,366	$3,226,573

The future minimum annual rental requirements on noncancellable leases in effect at January 31, 1974, which had an initial or remaining term of more than one year, are as follows:

Fiscal Years	
1974	$ 2,686,299
1975	2,525,372
1976	2,413,031
1977	2,084,618
1978	1,789,031
1979-1983	6,883,645
1984-1988	6,613,813
1989-1993	5,168,326
Thereafter	8,908,936
	$39,073,071

The above rentals exclude real estate taxes, insurance, maintenance and other costs which are applicable to leased property and which are paid directly by the Company and its subsidiaries rather than the lessors.

The present values of future minimum annual rental requirements under noncapitalized financing leases (excluding estimated amounts of real estate taxes, insurance, maintenance and other costs applicable to the leased property) were approximately $16,000,000 at January 31, 1974, and $16,500,000 at January 31, 1973. Of these amounts, approximately $13,100,000 in 1974 and $13,000,000 in 1973 were applicable to retail store leases with the balances applicable to equipment. These present values were calculated using the estimated interest rates implicit in the individual leases which ranged from 4⅛% to 10% with the weighted average rate being 6⅔%.

Had noncapitalized financing leases been capitalized, the effect on income for 1973 and 1972 would have been immaterial.

(6) The Company's long-term debt consists of:

	January 31	
	1974	1973
3¾% notes, payable $800,000 annually in 1975-1981 and $15,000,000 in 1982	$20,600,000	$21,400,000
8% mortgage note, payable quarterly to 1995	2,699,688	2,750,564
4% mortgage bonds, payable semiannually to 1975	274,900	818,000
5½% note, payable quarterly to 1986	1,381,540	1,468,069
	$24,956,128	$26,436,633

The aggregate minimum payments required on long-term debt in each of the five years following the fiscal year ended January 31, 1974 are shown below:

Fiscal Year Ending January 31	Amount
1975	$1,480,000
1976	1,221,000
1977	956,000
1978	966,000
1979	978,000

(7) Charges to additional paid-in capital, representing the excess of cost over par value of Series A and B preferred stock purchased and retired, amounted to $108,577 and $112,248 in 1973 and 1972, respectively.

(8) At January 31, 1974 $132,826,000 of retained earnings was available for dividends on common stock under the terms of the Company's long-term debt agreement.

(9) Treasury stock at cost consists of:

	Preferred Shares				Common Shares	
	Series A		Series B			
	Number	Amount	Number	Amount	Number	Amount
Balance January 31, 1972	832	$ 31,671	—	$ —	32,706	$ 792,649
Purchases	2,898	121,262	6,600	343,200	—	—
Retirements	(2,000)	(83,648)	(600)	(31,200)	—	—
Balance January 31, 1973	1,730	$ 69,285	6,000	$312,000	32,706	$ 792,649
Purchases	1,156	46,445	—	—	68,500	1,896,226
Retirements	(2,000)	(79,977)	(600)	(31,200)	—	—
Balance January 31, 1974	886	$ 35,753	5,400	$280,800	101,206	$2,688,875

(10) Lawsuits are pending in Ohio against Halle's, which are similar to those brought against other retailers, and which purport to be class actions, attacking the legality of certain credit and billing practices. The ultimate consequences of these actions to the Company are not presently determinable, but the management does not anticipate that recoveries from Halle's thereunder, if any, will have a material adverse effect on the business or consolidated financial position of the Company.

(11) A stock option plan for executives of the Company was adopted by the Board of Directors in January 1974, subject to approval by the stockholders at the annual meeting on May 16, 1974. Options would be non-qualified for Federal income tax purposes. The plan provides for granting of options for up to 300,000 common shares at not less than fair market value at the date of grant. Options would have a maximum term of 10 years and none would be exercisable during the first year following grant.

Auditors' Report

To the Stockholders of Marshall Field & Company:

We have examined the consolidated balance sheet of Marshall Field & Company (a Delaware corporation) and subsidiaries as of January 31, 1974 and 1973 and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and retained earnings and changes in financial position present fairly the financial position of Marshall Field & Company and subsidiaries as of January 31, 1974 and 1973 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Chicago, Illinois
March 4, 1974

ARTHUR ANDERSEN & CO.

Marshall Field & Company
Ten Year Summary

(in thousands of dollars)

Fiscal Year	1973	1972	1971
Operating Results			
Net Sales	$521,908	$492,794	$466,689
Income before Income Taxes	40,560	41,563	37,052
Per cent of Sales	7.8	8.4	7.9
Income Taxes	19,658	20,106	18,000
Net Income	20,902	21,457	19,052
Per cent of Sales	4.0	4.4	4.1
Per Common Share (3)	2.30	2.34	2.08
Dividends Declared—			
Preferred Stock	78	95	108
Common Stock	11,096	10,399	10,034
Per Common Share (3)	1.22½ (4)	1.14	1.10
Net Income Retained	9,728	10,963	8,909
Capital Expenditures—			
Modernization and Replacement	4,656	3,910	2,949
Expansion	13,324	3,841	10,124
Total	17,980	7,751	13,073
Depreciation	6,781	6,588	6,183
Financial Position			
Accounts Receivable	$ 84,121	$ 77,835	$ 78,423
Merchandise Inventories	83,932	82,099	77,751
Working Capital	109,595	113,425	102,555
Net Property and Equipment	121,929	111,342	112,029
Long-Term Debt	24,956	26,437	28,138
Common Stockholders' Equity	211,040	203,195	192,202
Per Common Share (3)	23.31	22.27	21.07
Stores (end of year)			
Number of Stores	28	26	26
Total Store Area (in thousands of square feet)	7,917	7,490	7,490

Notes:

(1) Operating results include The Halle Brothers Company beginning with December 1970 under purchase accounting. Financial position and store statistics at the end of 1970 and subsequent years reflect the Halle merger.

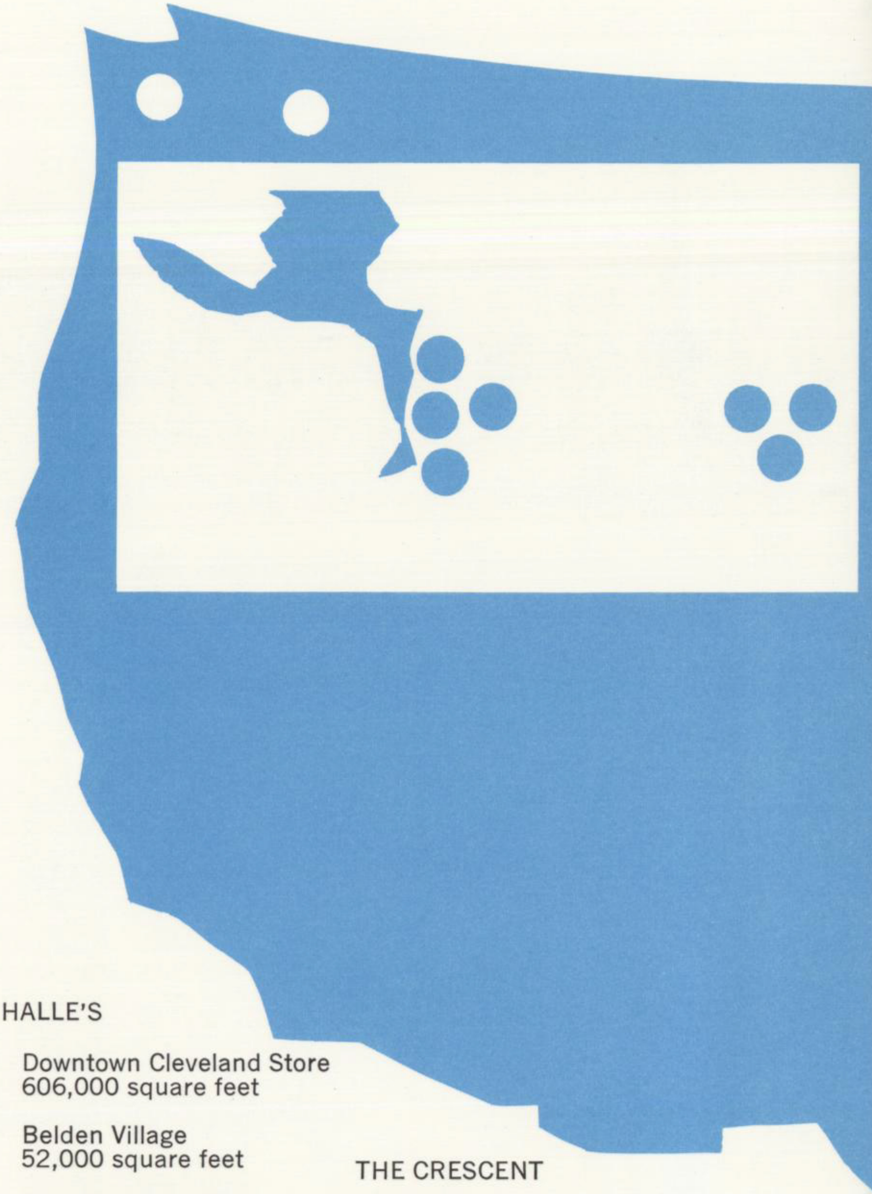
(2) 1968 and prior years have been restated to include The Crescent under pooling of interests accounting.

(3) Adjusted to reflect two-for-one stock split effective May 14, 1969.

(4) Annual dividend rate was $1.24 at the end of the fiscal year 1973, as the result of an increase in the quarterly rate from 29½ cents to 31 cents in July 1973.

(5) At the end of 1964 accounts receivable were decreased approximately $12,500,000 as the result of the sale of all installment receivables pursuant to adoption in 1965 of the installment method of tax accounting.

1970	1969	1968	1967	1966	1965	1964
$401,883	$402,507	$386,287	$371,025	$349,217	$329,100	$301,939
32,168	37,005	35,255	33,329	31,682	30,083	26,035
8.0	9.2	9.1	9.0	9.1	9.1	8.6
16,089	19,448	18,007	15,653	14,971	14,273	12,742
16,079	17,557	17,248	17,676	16,710	15,810	13,292
4.0	4.4	4.5	4.8	4.8	4.8	4.4
1.82	2.01	1.97	2.01	1.91	1.81	1.53
28	—	—	—	—	—	—
9,718	9,533	8,484	8,441	8,434	7,771	6,924
1.10	1.10	1.00	1.00	1.00	.92½	.82½
6,333	8,024	8,763	9,235	8,276	8,038	6,368
3,587	3,116	3,658	3,647	2,920	3,214	3,289
6,208	2,828	7,059	5,730	7,253	6,273	1,759
9,795	5,944	10,717	9,377	10,173	9,487	5,048
6,070	5,923	5,833	5,639	5,278	5,303	5,127
$ 81,859	$ 63,963	$ 60,699	$ 56,867	$ 52,816	$ 48,943	$ 31,508(5)
73,732	65,632	61,218	59,699	55,843	50,322	46,385
104,211	101,826	94,307	90,490	84,494	80,982	77,852
105,788	92,119	92,119	87,806	84,394	79,645	75,462
29,911	23,500	23,600	23,700	23,800	23,900	25,000
183,257	170,445	162,826	154,596	145,088	136,728	128,314
20.09	19.51	18.61	17.59	16.54	15.60	14.70
25	15	15	14	14	13	13
7,131	5,657	5,657	5,442	5,442	5,103	5,103



Store Directory

CHICAGO STORES

Downtown Chicago Store
2,225,000 square feet

CherryVale
115,000 square feet

Evanston
114,000 square feet

Hawthorn Center
259,000 square feet

Lake Forest
16,000 square feet

Mayfair
290,000 square feet

Oakbrook
375,000 square feet

Oak Park
124,000 square feet

Old Orchard
445,000 square feet

Park Forest
116,000 square feet

River Oaks
264,000 square feet

Woodfield
355,000 square feet

Fox Valley
(Under construction)
250,000 square feet

Orland Park
(Under construction)
200,000 square feet

Water Tower Place
(Under construction)
170,000 square feet

FREDERICK & NELSON

Downtown Seattle Store
746,000 square feet

Aurora Village
150,000 square feet

Bellevue Square
158,000 square feet

Southcenter
175,000 square feet

COMMERCIAL FURNISHINGS

Contract Sales Divisions
Chicago
Cleveland
Seattle
Spokane

BUYING FACILITIES

Athens
Barcelona
Florence
Frankfurt/Main
Hong Kong
Lisbon
London
New Delhi
New York City
Paris
Seoul
Taipei
Tel Aviv
Tokyo
Zurich

HALLE'S

Downtown Cleveland Store
606,000 square feet

Belden Village
52,000 square feet

Erie Downtown Store
23,000 square feet

West Erie Plaza
34,000 square feet

Severance
168,000 square feet

Shaker Square
34,000 square feet

Southland
148,000 square feet

Summit Mall
111,000 square feet

Westgate
194,000 square feet

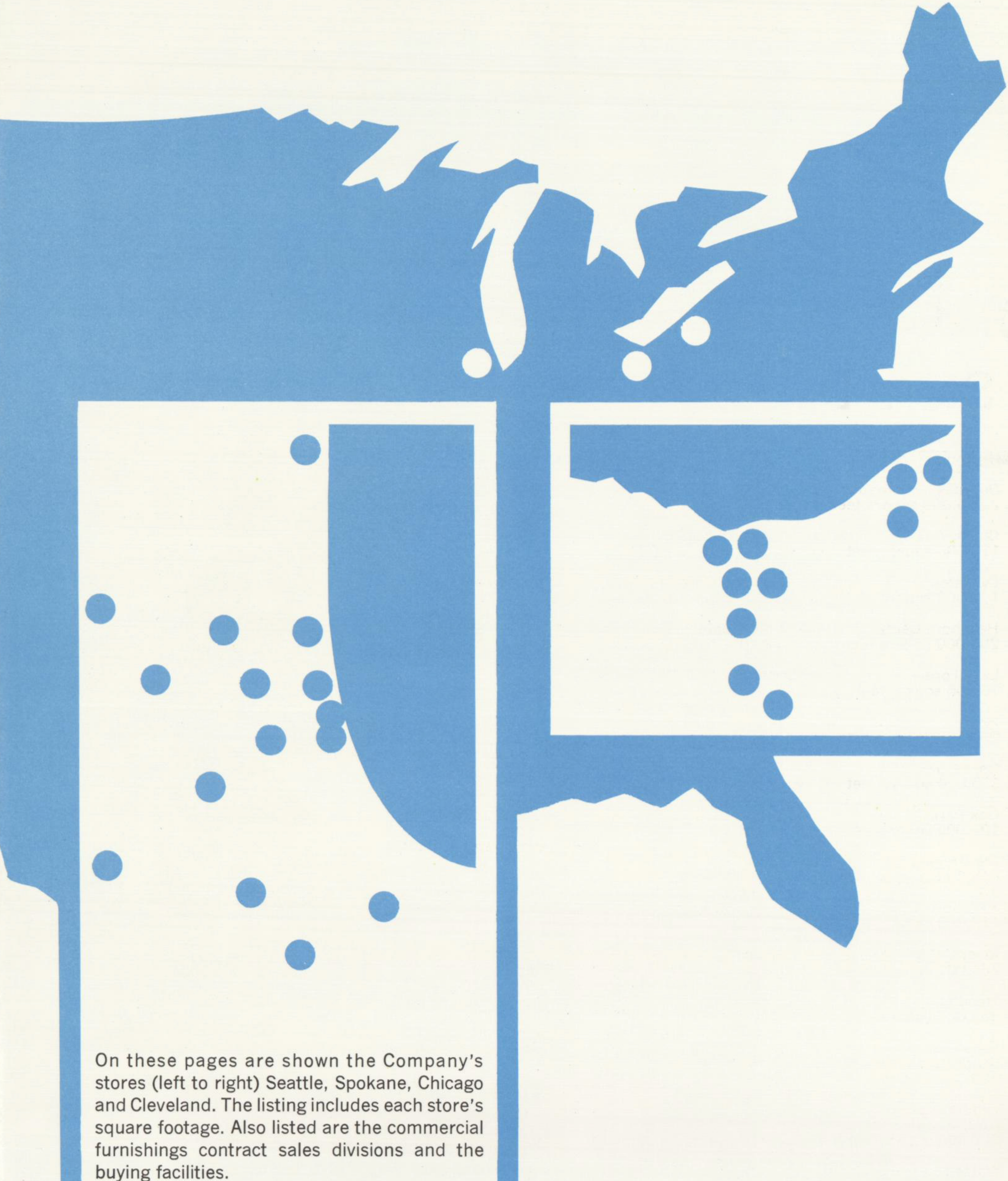
Millcreek Mall
(Under construction)
90,000 square feet

THE CRESCENT

Downtown Spokane Store
425,000 square feet

Northtown
91,000 square feet

University City
104,000 square feet



On these pages are shown the Company's stores (left to right) Seattle, Spokane, Chicago and Cleveland. The listing includes each store's square footage. Also listed are the commercial furnishings contract sales divisions and the buying facilities.

Items of Interest

Marshall Field & Company earned its reputation by offering the merchandise its customers expect to find in their stores and by adding to those assortments the unexpected, the unusual, the unique.

These include imports that are world-famous—English china, French perfumes, Italian silks, and Danish silver. Some that are fabulously expensive, like diamonds and furs and rare antiques. They also include items of interest such as those shown here: a wall hanging from South America, a delicate hand-embroidered linen cloth from the People's Republic of China, a wood chest filled with French wines, an antique copper kettle from England, an African horn sculpture, an antique toy locomotive, a spectacular piece of American Indian jewelry, and a hand-painted Imari plate from Japan.

These discoveries are part of the delight that makes shopping in our stores an experience to remember.

Field & Company

Board of Directors

HARRY O. BERCHER, Retired Chairman of the Board, International Harvester Company

EDWARD McC. BLAIR, Managing Partner, William Blair & Company

JOHN M. BUDD, Director and former Chairman of the Board, Burlington Northern Inc.

JOSEPH A. BURNHAM, President, Marshall Field & Company

ALBERT B. DICK III, Chairman, A. B. Dick Company

HOWARD M. PACKARD, Vice Chairman, S. C. Johnson & Son, Inc.

GEORGE G. RINDER, Executive Vice President, Marshall Field & Company

JOHN M. SIMPSON, Chairman of the Board, A. M. Castle & Co.

GERALD A. SIVAGE, Director and former President, Marshall Field & Company

HAROLD BYRON SMITH, JR., President, Illinois Tool Works Inc.

Committees of the Board

Executive Committee

GERALD A. SIVAGE, Chairman
EDWARD McC. BLAIR
JOHN M. BUDD
JOSEPH A. BURNHAM

Audit Committee

HOWARD M. PACKARD, Chairman
EDWARD McC. BLAIR
HAROLD BYRON SMITH, JR.

Compensation Committee

JOHN M. BUDD, Chairman
HARRY O. BERCHER
ALBERT B. DICK III

Corporate Officers

JOSEPH A. BURNHAM	President
GEORGE G. RINDER	Executive Vice President
RALPH E. BOWERS	Vice President and Secretary
CHARLES DUNLOP	Vice President and Comptroller
DONALD K. KEITH	Vice President—Development
ARTHUR E. OSBORNE, JR.	Vice President
ROBERT L. PATERSON	Vice President
STEPHEN V. HILL	Treasurer
HOWARD S. ALLEN	Assistant Comptroller—Taxes
JAMES C. ELDER	Assistant Treasurer
CATHRYN H. NOLAN	Assistant Secretary
ROBERT A. WILBRANDT	Assistant Secretary and Senior Attorney

Vice Presidents of Corporate and Subsidiary Divisions

Chicago Stores

ARTHUR E. OSBORNE, JR.	General Manager
JOHN W. BASCHEN	General Merchandise Manager
LOREN A. DuBOIS	General Operating Manager

DENMAN H. BOYD
AUREL CAPRINI
LEONARD R. CAPULLI
LELAND C. CARSTENS
PHILIP G. DIBBLE
EDMUND J. DOERING
CARL D. GULDAGER
ROBERT R. HOFFMAN
ROBERT S. HOUSTON
EVA JANE MILLIGAN
ASHTON OSBORNE
W. THOMAS POYER
HARRY A. ROOT
HOMER SHARP
CONNOR B. SHAW
REED F. TAYLOR
RUDOLPH A. WANGERIN
LESLIE L. WATERS

Frederick & Nelson

ROBERT L. PATERSON	General Manager
RICHARD A. DOSS	General Merchandise Manager
E. LAMONT McDONALD	General Operating Manager

ROBERT A. BOYD
LAWRENCE D. MOORE

Halle's

ROBERT M. RASMUSSEN	General Manager
ROBERT B. CARLSON	General Merchandise Manager
PAUL BRISK	General Operating Manager

JOHN A. KROYER
LOIS MILLER
ROBERT S. SCHUG

The Crescent

H. WILLIAM BACON	General Manager
JAMES G. ARGITES	General Operating Manager
CARL R. JONES	General Merchandise Manager

Corporate Administration

H. DARRYL HOFFMAN	Information Systems
MICHAEL J. USAS	Industrial Relations

Transfer Agents

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
Chicago

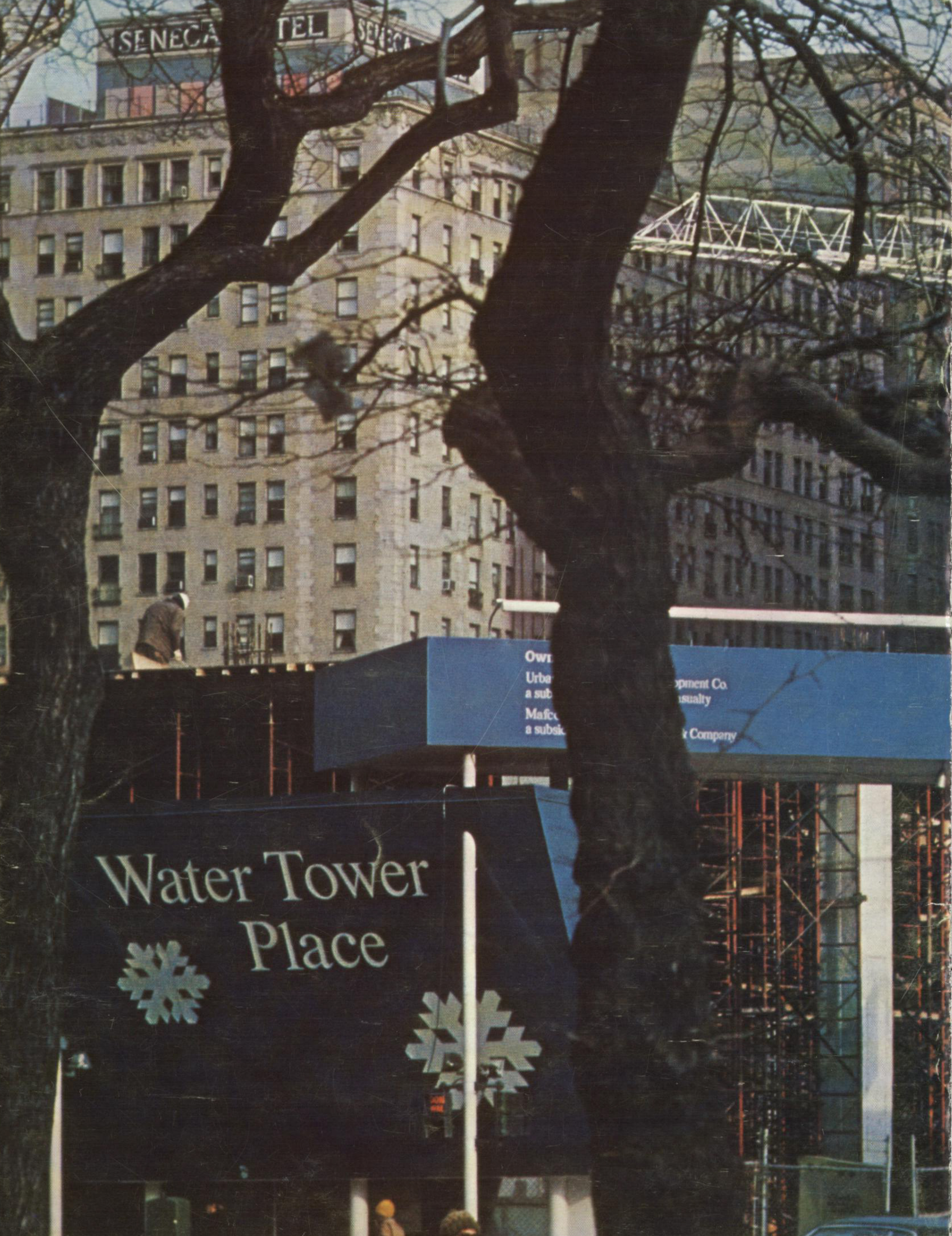
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
New York

Registrars

THE FIRST NATIONAL BANK OF CHICAGO
Chicago

BANKERS TRUST COMPANY
New York

725
Marshall Field's Company
FIELD & COMPANY


SENECA
TEL
Own
Urba
opment Co.
a sub
asualty
Mafc
a subsid
Company
Water Tower Place